

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
JUNE 30, 2008 AND 2007**

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

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**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**OFFICIALS  
JUNE 30, 2008**

| <b>Name</b>      | <b>Position</b>      | <b>Term<br/>Expires</b> | <b>Insurance<br/>Coverage</b> |
|------------------|----------------------|-------------------------|-------------------------------|
| Richard Kohler   | Chairman             | 12/31/08                | 10,000                        |
| Phil Cannon      | Trustee              | 12/31/10                | 10,000                        |
| Lynne Don Carlos | Trustee              | 12/31/12                | 10,000                        |
| Duane Armstead   | General Manager      |                         | 10,000                        |
| Rebecca Haase    | City Clerk/Treasurer |                         | 40,000                        |

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Daniel A. Dudley, C.P.A.  
Geoffrey F. Schnathorst, C.P.A.  
Catherine T. Kellogg, C.P.A.

## INDEPENDENT AUDITORS' REPORT

Greenfield Municipal Utilities  
Water System  
Greenfield, Iowa

We have audited the accompanying statements of net assets of the Water System, a department of Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of June 30, 2008 and 2007, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water System, a department of Greenfield Municipal Utilities, as of June 30, 2008 and 2007, and the results of its operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2009, on our consideration of the Water System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for Schedule 2 which is marked "unaudited" and on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Greenfield Municipal Utilities has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

January 29, 2009

By



Certified Public Accountant

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**STATEMENTS OF NET ASSETS  
JUNE 30, 2008 AND 2007**

| <b>ASSETS</b>                         | <b>2008</b>         | <b>2007</b>         | <b>Increase<br/>(Decrease)</b> |
|---------------------------------------|---------------------|---------------------|--------------------------------|
| <b>CURRENT ASSETS:</b>                |                     |                     |                                |
| Cash and Equivalents                  | \$ 48,024           | \$ 18,004           | \$ 30,020                      |
| Investment in Certificates of Deposit | 23,000              | 123,000             | (100,000)                      |
| Accounts Receivable - Customers       | 43,456              | 48,942              | (5,486)                        |
| Inventories - Materials and Supplies  | 41,521              | 39,284              | 2,237                          |
| Sales and Use Tax Recoverable         | -                   | 1,798               | (1,798)                        |
| Accrued Interest Receivable           | 43                  | 673                 | (630)                          |
| Prepaid Expenses                      | 17,448              | 16,935              | 513                            |
| Total Current Assets                  | 173,492             | 248,636             | (75,144)                       |
| <b>PROPERTY AND EQUIPMENT:</b>        |                     |                     |                                |
| Production and Treatment Plant        | 1,619,783           | 1,484,000           | 135,783                        |
| Transmission System                   | 597,075             | 597,075             | -                              |
| Distribution System                   | 2,495,766           | 2,435,781           | 59,985                         |
| Vehicles, Tools and Equipment         | 192,691             | 169,561             | 23,130                         |
| Total Cost                            | 4,905,315           | 4,686,417           | 218,898                        |
| Accumulated Depreciation              | (2,903,765)         | (2,776,643)         | (127,122)                      |
| Total Property and Equipment, Net     | 2,001,550           | 1,909,774           | 91,776                         |
|                                       | <u>\$ 2,175,042</u> | <u>\$ 2,158,410</u> | <u>\$ 16,632</u>               |

(Continued)

See Independent Auditors' Report and Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**STATEMENTS OF NET ASSETS  
JUNE 30, 2008 AND 2007**

| <b>LIABILITIES</b>                              | <b>2008</b>         | <b>2007</b>         | <b>Increase<br/>(Decrease)</b> |
|---|---------------------|---------------------|--------------------------------|
| <b>CURRENT LIABILITIES:</b>                     |                     |                     |                                |
| Accounts Payable - Vendors                      | \$ 20,040           | \$ 20,235           | \$ (195)                       |
| Due to City                                     | 13,400              | 13,400              | -                              |
| Sales and Use Tax Payable                       | 1,911               | -                   | 1,911                          |
| Accrued Liabilities -                           |                     |                     |                                |
| Salaries and Wages                              | 7,405               | 7,043               | 362                            |
| Compensated Absences                            | 41,075              | 30,990              | 10,085                         |
| Current Portion of Promissory Note Payable      | <u>20,000</u>       | <u>20,000</u>       | <u>-</u>                       |
| Total Current Liabilities                       | 103,831             | 91,668              | 12,163                         |
| <b>NONCURRENT LIABILITIES:</b>                  |                     |                     |                                |
| Promissory Note Payable                         | <u>100,000</u>      | <u>120,000</u>      | <u>(20,000)</u>                |
| Total Noncurrent Liabilities                    | 100,000             | 120,000             | (20,000)                       |
| <b>NET ASSETS:</b>                              |                     |                     |                                |
| Invested in Capital Assets, Net of Related Debt | 1,881,550           | 1,769,774           | 111,776                        |
| Unrestricted                                    | <u>89,661</u>       | <u>176,968</u>      | <u>(87,307)</u>                |
| Total Net Assets                                | 1,971,211           | 1,946,742           | 24,469                         |
|   | <u>\$ 2,175,042</u> | <u>\$ 2,158,410</u> | <u>\$ 16,632</u>               |

See Independent Auditors' Report and Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

|   | 2008                |         | 2007                |         | Increase<br>(Decrease) |
|---|---------------------|---------|---------------------|---------|------------------------|
|   | Amount              | Percent | Amount              | Percent |                        |
| <b>OPERATING REVENUE:</b>                   |                     |         |                     |         |                        |
| Residential Sales                           | \$ 238,828          | 48.2    | \$ 244,300          | 50.6    | \$ (5,472)             |
| Commercial Sales                            | 73,933              | 14.9    | 73,398              | 15.2    | 535                    |
| Industrial Sales                            | 32,977              | 6.7     | 38,094              | 7.9     | (5,117)                |
| Sales to SIRWA                              | 103,066             | 20.8    | 78,653              | 16.3    | 24,413                 |
| Sales to Fontenelle                         | 33,506              | 6.8     | 29,471              | 6.1     | 4,035                  |
| Sales to City                               | 3,675               | 0.7     | 6,530               | 1.4     | (2,855)                |
| Plant Hydrant Water Sales                   | 798                 | 0.2     | 855                 | 0.2     | (57)                   |
| Forfeited Discounts and Other               | <u>8,274</u>        | 1.7     | <u>11,919</u>       | 2.3     | <u>(3,645)</u>         |
| Total Operating Revenue                     | 495,057             | 100.0   | 483,220             | 100.0   | 11,837                 |
| <b>OPERATING EXPENSES:</b>                  |                     |         |                     |         |                        |
| Plant Operations                            | 155,034             | 31.3    | 164,037             | 33.9    | (9,003)                |
| Plant Maintenance                           | 28,051              | 5.7     | 29,623              | 6.1     | (1,572)                |
| Distribution Operations                     | 105,209             | 21.3    | 81,868              | 16.9    | 23,341                 |
| Distribution Maintenance                    | 69,355              | 14.0    | 64,466              | 13.3    | 4,889                  |
| Accounting and Collecting                   | 54,019              | 10.9    | 56,074              | 11.6    | (2,055)                |
| Administrative Expenses                     | 90,828              | 18.3    | 91,133              | 18.9    | (305)                  |
| Refunds and Rebates                         | 300                 | 0.1     | 7,818               | 1.6     | (7,518)                |
| Depreciation                                | <u>135,353</u>      | 27.3    | <u>127,511</u>      | 26.4    | <u>7,842</u>           |
| Total Operating Expenses                    | <u>638,149</u>      | 128.9   | <u>622,530</u>      | 128.7   | <u>15,619</u>          |
| Operating Earnings (Loss)                   | (143,092)           | (28.9)  | (139,310)           | (28.7)  | (3,782)                |
| <b>NONOPERATING REVENUE:</b>                |                     |         |                     |         |                        |
| Contributions-in-Aid of Construction        | 149,799             | 30.3    | 25,735              | 5.3     | 124,064                |
| Interest Income                             | 4,731               | 1.0     | 5,771               | 1.2     | (1,040)                |
| Miscellaneous Income                        | <u>431</u>          | 0.1     | <u>3,465</u>        | 0.7     | <u>(3,034)</u>         |
| Total Nonoperating Revenue                  | <u>154,961</u>      | 31.4    | <u>34,971</u>       | 7.2     | <u>119,990</u>         |
| Income (Loss) Before Transfers              | 11,869              | 2.5     | (104,339)           | (21.5)  | 116,208                |
| <b>TRANSFERS IN:</b>                        |                     |         |                     |         |                        |
| From Electric System                        | <u>12,600</u>       |         | <u>31,000</u>       |         | <u>(18,400)</u>        |
| Change in Net Assets                        | 24,469              |         | (73,339)            |         | 97,808                 |
| Total Net Assets, Beginning (2007 Restated) | 1,946,742           |         | 2,020,081           |         | (73,339)               |
| Total Net Assets, Ending                    | <u>\$ 1,971,211</u> |         | <u>\$ 1,946,742</u> |         | <u>\$ 24,469</u>       |

See Independent Auditors' Report and Notes to Financial Statements.



**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

|   | 2008             | 2007             |
|---|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                  |                  |
| Receipts from Customers   | \$ 500,543       | \$ 486,225       |
| Payments to Suppliers   | (235,752)        | (251,230)        |
| Payments to Employees, Wages and Benefits   | (256,595)        | (237,327)        |
| Other Receipts  | 762              | 4,350            |
| Net Cash from Operating Activities  | 8,958            | 2,018            |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>                                       |                  |                  |
| Transfers from Electric   | 12,600           | 31,000           |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                              |                  |                  |
| Principal Payments on Promissory Note   | (20,000)         | (20,000)         |
| Contribution-in-Aid of Construction   | 149,799          | 25,735           |
| Purchase or Construction of Capital Assets  | (226,698)        | (63,287)         |
| Net Cash from Capital and Related Financing Activities  | (96,899)         | (57,552)         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                  |                  |
| Proceeds from Certificates of Deposits  | 100,000          | -                |
| Interest Received   | 5,361            | 5,636            |
| Net Cash from Investing Activities  | 105,361          | 5,636            |
| Net Increase in Cash and Equivalents  | 30,020           | (18,898)         |
| Cash and Equivalents, Beginning of Year   | 18,004           | 36,902           |
| Cash and Equivalents, End of Year   | <u>\$ 48,024</u> | <u>\$ 18,004</u> |
| <b>RECONCILIATION OF LOSS FROM OPERATIONS TO<br/>NET CASH FROM OPERATING ACTIVITIES:</b>      |                  |                  |
| Operating Earnings (Loss)   | \$ (143,092)     | \$ (139,310)     |
| Adjustments to Reconcile Operating Earnings (Loss) to<br>Net Cash from Operating Activities - |                  |                  |
| Depreciation Non-cash Expense   | 135,353          | 127,511          |
| Miscellaneous Revenue Received  | -                | 3,465            |
| Change in Operating Assets and Liabilities -  |                  |                  |
| Accounts Receivable (Increase) Decrease   | 5,486            | 3,005            |
| Inventories (Increase) Decrease   | (2,237)          | (8,382)          |
| Sales and Use Tax Recoverable (Increase) Decrease   | 1,798            | (1,798)          |
| Prepaid Expenses (Increase) Decrease  | (513)            | 1,811            |
| Accounts Payable Increase (Decrease)  | (195)            | 9,256            |
| Sales Tax Payable Increase (Decrease)   | 1,911            | (2,200)          |
| Other Accrued Liabilities Increase (Decrease)   | 10,447           | 8,660            |
| Total Adjustments   | 152,050          | 141,328          |
| Net Cash from Operating Activities  | <u>\$ 8,958</u>  | <u>\$ 2,018</u>  |

See Independent Auditors' Report and Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General -**

The City of Greenfield owns an electric light and power system (electric), waterworks (water) and sewage treatment system. Many years ago, voters approved Greenfield Municipal Utilities (GMU) be organized to operate and manage only the electric and water systems. GMU is governed by a three-member board of trustees appointed by the City Council. The Board of Trustees exercises all oversight responsibility.

Greenfield Municipal Utilities provides electric and water service to a diversified base of residential, commercial, and industrial customers, primarily within the boundaries of the City. State statutes vest authority in the Board of Trustees to establish rates and provide, among other things, that books of account be kept for each utility system and for the equitable allocation of joint expenses.

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and by the Financial Accounting Standards Board (FASB). As allowed by GASB, Greenfield Municipal Utilities follows the statements and interpretations of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, unless such pronouncements conflict with or contradict related GASB pronouncements. GMU has elected to continue to apply FASB pronouncements issued after November 30, 1989.

The significant accounting policies of GMU are described below.

**B. Reporting Entity -**

Generally accepted accounting principles require GMU to consider if it has oversight responsibility or control over any other legal entity. Control or dependence is determined based on budget adoption, taxing authority, funding, or appointment of the respective governing board. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

In accordance with GASB 14, the Greenfield Municipal Utilities, has been identified as a component unit of the City of Greenfield, but is legally separate from the City, and has no component units itself. As such, these financial statements include only the accounts of the Water System. The financial activities of the Electric System are presented and reported on separately.

See Independent Auditors' Report.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **C. *Measurement Focus and Basis of Accounting* -**

Measurement focus refers to what is measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The applicable generally accepted accounting principles are those similar to businesses in the private sector.

The Water System is a governmental proprietary enterprise fund and uses the economic resources measurement focus and the accrual basis of accounting. As such, the fund measurement objective is the determination of operating income, changes in net assets, financial position, and cash flows. Under the accrual basis of accounting, revenues are recognized when earned, except that unbilled revenues for customer usage since the last meter reading to the end of the fiscal year (approximately five days) are not accrued. Expenses are recognized when the obligation is incurred.

### **D. *Use of Estimates* -**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **E. *Cash and Equivalents* -**

GMU has defined cash and equivalents as unrestricted cash on hand, checking and savings accounts, and certificates of deposit with original maturities of three months or less. Cash and equivalents held as restricted assets are excluded for cash flow purposes.

### **F. *Inventories - Materials and Supplies* -**

Inventories of materials and supplies are stated at the lower of cost or market using the first-in, first-out method.

### **G. *Capital Assets* -**

Capital assets (property, plant and equipment, including infrastructures) are valued at historical cost. The cost of system renewals and betterments includes engineering, project construction period interest and other related costs. Preliminary and construction costs, if any, of projects not yet in service are shown in the financial statements as construction in progress. Maintenance and repairs which do not add to the capacity or efficiency of the asset are charged to operating expense.

Depreciation is provided over the assets estimated useful lives using the straight line method with one-half year convention. No depreciation is taken on construction in progress. The range of estimated useful lives by capital asset sub-category is as follows:

|                                  |             |
|----------------------------------|-------------|
| Treatment Plant and Structures   | 15-50 Years |
| Transmission System Improvements | 33-50 Years |
| Distribution System Improvements | 20-40 Years |
| Vehicles                         | 5 Years     |
| Tools and Shop Equipment         | 5-10 Years  |
| Furniture and Office Equipment   | 5-10 Years  |

See Independent Auditors' Report.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **H. Net Assets Classifications -**

Net assets are shown in three components as follows:

- a. Invested in capital assets, net of related debt: Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of capital assets.
- b. Restricted net assets: Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets: All other net assets, including designated, that do not meet the definition of "restricted" or "invested in capital assets, net of related debt". Designated net assets, although earmarked by the Trustees, may be changed at any time by board action.

Included in the unrestricted net assets is an amount of \$32,101 designated for the City's Park Board. When GMU transferred Between-Two-Lakes land to the City, the trustees specified the CRP income be retained for the benefit of park improvements.

### **I. Taxes -**

GMU is not liable for federal and state income taxes or taxes on its property, and makes no payments in-lieu-of taxes or other contributions to the City from the Water System.

## **NOTE 2 - CASH AND POOLED INVESTMENTS**

GMU pool their deposits and investments and maintain records as to the Water and Electric Systems' share of the total balance. All deposits at June 30, 2008, were entirely covered by federal depository insurance, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

GMU is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit or savings accounts at federally insured depository institutions approved by the Board of Trustees and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of drainage districts.

All investments at June 30, 2008, were held as certificates of deposits and cost is the same as carrying value.

See Independent Auditors' Report.

**NOTE 3 - PROPERTY AND EQUIPMENT**

Capital asset activity for the years ended June 30, 2008 and 2007, is as follows:

| <b>2008</b>                           | <b>Balance<br/>July 1,</b> | <b>Additions</b>         | <b>Retirements</b>     | <b>Balance<br/>June 30,</b> |
|---------------------------------------|----------------------------|--------------------------|------------------------|-----------------------------|
| Capital Assets being Depreciated -    |                            |                          |                        |                             |
| Production and Treatment Plant        | \$ 1,484,000               | \$ 135,783               | \$ -                   | \$ 1,619,783                |
| Transmission System                   | 597,075                    | -                        | -                      | 597,075                     |
| Distribution System                   | 2,435,781                  | 59,985                   | -                      | 2,495,766                   |
| Vehicles, Tools and Equipment         | 169,561                    | 31,361                   | 8,231                  | 192,691                     |
| <b>Total Cost</b>                     | <b><u>\$ 4,686,417</u></b> | <b><u>\$ 227,128</u></b> | <b><u>\$ 8,230</u></b> | <b><u>\$ 4,905,315</u></b>  |
| Accumulated Depreciation for -        |                            |                          |                        |                             |
| Production and Treatment Plant        | \$ 1,029,836               | \$ 58,872                | \$ -                   | \$ 1,088,708                |
| Transmission System                   | 374,560                    | 8,282                    | -                      | 382,842                     |
| Distribution System                   | 1,232,677                  | 55,475                   | -                      | 1,288,152                   |
| Vehicles, Tools and Equipment         | 139,570                    | 12,724                   | 8,231                  | 144,063                     |
| <b>Total Accumulated Depreciation</b> | <b><u>\$ 2,776,643</u></b> | <b><u>\$ 135,353</u></b> | <b><u>\$ 8,231</u></b> | <b><u>\$ 2,903,765</u></b>  |
| <b>2007</b>                           | <b>Balance<br/>July 1,</b> | <b>Additions</b>         | <b>Retirements</b>     | <b>Balance<br/>June 30,</b> |
| Capital Assets being Depreciated -    |                            |                          |                        |                             |
| Production and Treatment Plant        | \$ 1,422,163               | \$ 61,837                | \$ -                   | \$ 1,484,000                |
| Transmission System                   | 597,075                    | -                        | -                      | 597,075                     |
| Distribution System                   | 2,435,781                  | -                        | -                      | 2,435,781                   |
| Vehicles, Tools and Equipment         | 168,111                    | 1,450                    | -                      | 169,561                     |
| <b>Total Cost</b>                     | <b><u>\$ 4,623,130</u></b> | <b><u>\$ 63,287</u></b>  | <b><u>\$ -</u></b>     | <b><u>\$ 4,686,417</u></b>  |
| Accumulated Depreciation for -        |                            |                          |                        |                             |
| Production and Treatment Plant        | \$ 975,577                 | \$ 54,259                | \$ -                   | \$ 1,029,836                |
| Transmission System                   | 366,278                    | 8,282                    | -                      | 374,560                     |
| Distribution System                   | 1,177,304                  | 55,373                   | -                      | 1,232,677                   |
| Vehicles, Tools and Equipment         | 129,973                    | 9,597                    | -                      | 139,570                     |
| <b>Total Accumulated Depreciation</b> | <b><u>\$ 2,649,132</u></b> | <b><u>\$ 127,511</u></b> | <b><u>\$ -</u></b>     | <b><u>\$ 2,776,643</u></b>  |

See Independent Auditors' Report.

**NOTE 3 - PROPERTY AND EQUIPMENT (Continued)**

Depreciation expense by asset group charged to operations is as follows:

|                               | 2008              | 2007              |
|-------------------------------|-------------------|-------------------|
| Production Plant              | \$ 58,872         | \$ 54,259         |
| Transmission System           | 8,282             | 8,282             |
| Distribution System           | 55,475            | 55,373            |
| Vehicles, Tools and Equipment | 12,724            | 9,597             |
| Totals                        | <u>\$ 135,353</u> | <u>\$ 127,511</u> |

**NOTE 4 - COMPENSATED ABSENCES**

GMU employees accumulate a limited amount of vested, but unused, vacation and sick leave hours for subsequent use or payment upon termination, retirement or death. Accrued compensated absences included in the financial statements for 2008 and 2007 represent the amount due for the hours accumulated at the employees' June 30 rate of compensation.

**NOTE 5 - NOTE PAYABLE**

During 2004, the City of Greenfield issued a general obligation promissory note dated June 10, 2004, for \$200,000. The proceeds of this note were deposited to the Water System and the Water System is to repay this debt. The note is noninterest bearing, with monthly payments of \$1,666 beginning July 14, 2004.

Changes in long-term debt for the years ended June 30, 2008 and 2007, are as follows:

|                       |                   |
|-----------------------|-------------------|
| Balance July 1, 2006  | \$ 160,000        |
| Issued                | -                 |
| Retired               | <u>20,000</u>     |
| Balance June 30, 2007 | 140,000           |
| Issued                | -                 |
| Retired               | 20,000            |
| Balance June 30, 2008 | <u>\$ 120,000</u> |

Current maturities of long-term debt for the years ended June 30:

|        |                   |
|--------|-------------------|
| 2009   | \$ 20,000         |
| 2010   | 20,000            |
| 2011   | 20,000            |
| 2012   | 20,000            |
| 2013   | 20,000            |
| 2014   | 20,000            |
| Totals | <u>\$ 120,000</u> |

See Independent Auditors' Report.

## **NOTE 6 - PENSION AND RETIREMENT BENEFITS**

GMU contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the employer is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by State statute. The water system's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006, was \$11,239, \$9,797, and \$10,502, respectively, which met the required contributions for each year.

## **NOTE 7 - DEFERRED COMPENSATION PLAN**

GMU offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits deferral to future years of a portion of their current salary. The employee becomes eligible to withdraw funds upon termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in a separate third-party trust for the exclusive benefit of participants and their beneficiaries.

## **NOTE 8 - CONCENTRATIONS**

The Water System provides water to customers in a specified service area in and around the City of Greenfield, Iowa. It grants credit to substantially all customers, all of whom are local businesses or residents.

Sales to other nonprofit or municipal organizations for redistribution accounted for approximately 28 and 23 percent of the total operating revenue for the years ended June 30, 2008 and 2007, respectively.

## **NOTE 9 - RISK MANAGEMENT**

The Greenfield Municipal Utilities are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks, except for loss of infrastructure, are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts reflected in the balance sheets for cash and cash equivalents approximate the respective fair values due to the short maturities of those instruments. Management estimates that there are no significant differences between the fair value of financial instruments and the amounts shown as assets and liabilities on the balance sheets.

See Independent Auditors' Report.

## **NOTE 11 - COMMITMENTS**

The Water System has a contract to provide water to the Southern Iowa Rural Water Association over a forty-year period beginning June 1, 1982. The agreement stipulates that the water quantity sold is not to exceed 174 gallons per minute and 52,257,879 gallons per year. Metered water for 2008 and 2007 was 73,142,900 and 56,954,900 gallons, respectively. Additional gallons were sold in 2008.

The Water System has a contract to provide water to the City of Fontanelle over a ten year period which began November 1, 2003. The agreement stipulates that the water quantity sold is not to exceed 120 gallons per minute and 20,000,000 gallons per year. Metered water for 2008 and 2007 was 15,818,000 and 14,115,000 gallons, respectively.

## **NOTE 12 - BUDGETS AND BUDGETARY ACCOUNTING**

GMU prepares a budget on the basis of cash receipts and disbursements instead of the accrual basis of accounting presented in these financial statements. In accordance with the Code of Iowa, the City Council annually adopts a budget, which includes this Water System, following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. There were no budget amendments adopted during the current year.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions or programs, not by fund. These functions are grouped as either governmental activities or business activities.

The Water System budget is included as a part of the City and GMU combined business type activities budget. A comparison of the actual water system activity, adjusted to the budgetary basis, and the total budgeted amounts is as follows:

|  | <b>Actual</b>     | <b>Budget</b>     |
|--|-------------------|-------------------|
| Operating and Nonoperating Revenue -<br>GAAP Basis   | \$ 662,618        |                   |
| Adjust For-  |                   |                   |
| Customer Charge Accruals                             | 5,486             |                   |
| Other Operating Revenue Accruals                     | -                 |                   |
| Nonoperating Revenue Accruals                        | 630               |                   |
| Operating and Nonoperating Revenue -<br>Budget Basis | <u>\$ 668,734</u> | <u>\$ 663,170</u> |

See Independent Auditors' Report.



**NOTE 12 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)**

|                                       | <b>Actual</b>     | <b>Budget</b>     |
|---------------------------------------|-------------------|-------------------|
| Operating and Nonoperating Expenses - |                   |                   |
| GAAP Basis                            | \$ 638,149        |                   |
| Adjust for -                          |                   |                   |
| Operating Expense Accruals            | (11,211)          |                   |
| Nonoperating Expense Accruals         | -                 |                   |
| Capital Outlay                        | 227,128           |                   |
| Depreciation                          | (135,353)         |                   |
| Debt Payment                          | 20,000            |                   |
| Operating and Nonoperating Expenses - |                   |                   |
| Budget Basis                          | <u>\$ 738,713</u> | <u>\$ 518,650</u> |

**NOTE 13 - RESTATEMENTS**

Certain amounts for 2007 may be restated or terminology changed to be comparative to the 2008 financial statement presentation or terminology. In addition, 2007 was corrected and net assets reduced \$13,400 for an amount owed the City for a mower previously recorded as an electric liability instead of a water liability.

See Independent Auditors' Report.

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**SUPPLEMENTARY INFORMATION**

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**SCHEDULES OF EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

|                                      | 2008              |         | 2007              |         | Increase<br>(Decrease) |
|--------------------------------------|-------------------|---------|-------------------|---------|------------------------|
|                                      | Amount            | Percent | Amount            | Percent |                        |
| Plant Operations -                   |                   |         |                   |         |                        |
| Salaries and Wages                   | \$ 49,040         | 9.9     | \$ 51,194         | 10.6    | \$ (2,154)             |
| Employer Payroll Taxes               | 6,507             | 1.3     | 6,106             | 1.3     | 401                    |
| Group Insurance                      | 1,578             | 0.3     | 3,590             | 0.7     | (2,012)                |
| Professional Fees                    | 2,905             | 0.6     | 820               | 0.2     | 2,085                  |
| Insurance                            | 12,317            | 2.5     | 11,174            | 2.3     | 1,143                  |
| Utilities and Communications         | 34,458            | 7.0     | 45,093            | 9.3     | (10,635)               |
| Chemicals                            | 38,725            | 7.8     | 39,846            | 8.2     | (1,121)                |
| Water Testing                        | 9,504             | 1.9     | 6,214             | 1.3     | 3,290                  |
| Total Plant Operations               | <u>\$ 155,034</u> | 31.3    | <u>\$ 164,037</u> | 33.9    | <u>\$ (9,003)</u>      |
| Plant Maintenance -                  |                   |         |                   |         |                        |
| Pump Repairs                         | \$ -              | -       | \$ 5,747          | 1.1     | \$ (5,747)             |
| Supplies - Operating and Maintenance | 23,808            | 4.8     | 21,668            | 4.5     | 2,140                  |
| Repairs Maintenance Services         | 4,243             | 0.9     | 2,208             | 0.5     | 2,035                  |
| Total Plant Maintenance              | <u>\$ 28,051</u>  | 5.7     | <u>\$ 29,623</u>  | 6.1     | <u>\$ (1,572)</u>      |
| Distribution Operations -            |                   |         |                   |         |                        |
| Salaries and Wages                   | \$ 74,238         | 15.0    | \$ 63,461         | 13.1    | \$ 10,777              |
| Employer Payroll Taxes               | 11,449            | 2.3     | 9,760             | 2.0     | 1,689                  |
| Group Insurance                      | 16,023            | 3.2     | 8,138             | 1.7     | 7,885                  |
| Professional Fees                    | 3,499             | 0.8     | 509               | 0.1     | 2,990                  |
| Total Distribution Operations        | <u>\$ 105,209</u> | 21.3    | <u>\$ 81,868</u>  | 16.9    | <u>\$ 23,341</u>       |
| Distribution Maintenance -           |                   |         |                   |         |                        |
| Vehicle Operating Expenses           | \$ 8,190          | 1.7     | \$ 10,385         | 2.1     | \$ (2,195)             |
| Supplies - Operating and Maintenance | 55,750            | 11.3    | 48,554            | 10.1    | 7,196                  |
| Repairs Maintenance Services         | 5,415             | 1.0     | 5,527             | 1.1     | (112)                  |
| Total Distribution Maintenance       | <u>\$ 69,355</u>  | 14.0    | <u>\$ 64,466</u>  | 13.3    | <u>\$ 4,889</u>        |
| Accounting and Collecting -          |                   |         |                   |         |                        |
| Salaries and Wages                   | \$ 31,484         | 6.4     | \$ 34,582         | 7.2     | \$ (3,098)             |
| Employer Payroll Taxes               | 3,983             | 0.8     | 4,080             | 0.8     | (97)                   |
| Group Insurance                      | 12,630            | 2.6     | 7,673             | 1.6     | 4,957                  |
| Advertising and Notices              | 1,181             | 0.2     | 991               | 0.2     | 190                    |
| Supplies - Operating and Maintenance | 2,785             | 0.6     | 3,684             | 0.8     | (899)                  |
| Copier and Computer Maintenance      | 1,956             | 0.3     | 5,064             | 1.0     | (3,108)                |
| Total Accounting and Collecting      | <u>\$ 54,019</u>  | 10.9    | <u>\$ 56,074</u>  | 11.6    | <u>\$ (2,055)</u>      |

See Independent Auditors' Report.

(Continued)

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**SCHEDULES OF EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

|                                      | 2008              |         | 2007              |         | Increase<br>(Decrease) |
|--------------------------------------|-------------------|---------|-------------------|---------|------------------------|
|                                      | Amount            | Percent | Amount            | Percent |                        |
| Administrative Expenses -            |                   |         |                   |         |                        |
| Salaries and Wages                   | \$ 41,318         | 8.3     | \$ 40,914         | 8.5     | \$ 404                 |
| Employer Payroll Taxes               | 9,898             | 2.0     | 9,123             | 1.9     | 775                    |
| Group Insurance                      | 8,894             | 1.8     | 7,366             | 1.5     | 1,528                  |
| Professional Fees                    | 9,525             | 1.9     | 10,346            | 2.1     | (821)                  |
| Insurance                            | 8,533             | 1.7     | 11,174            | 2.3     | (2,641)                |
| Travel, Conferences and Dues         | 2,248             | 0.5     | 2,022             | 0.4     | 226                    |
| Utilities and Communications         | 1,927             | 0.4     | 2,205             | 0.5     | (278)                  |
| Supplies - Operating and Maintenance | 1,007             | 0.2     | 911               | 0.2     | 96                     |
| Economic Development                 | 4,101             | 0.8     | 7,072             | 1.5     | (2,971)                |
| Use Tax Paid                         | 3,377             | 0.7     | -                 | -       | 3,377                  |
| <br>Total Administrative Expenses    | <u>\$ 90,828</u>  | 18.3    | <u>\$ 91,133</u>  | 18.9    | <u>\$ (305)</u>        |
| <br>Rebates and Refunds              | <u>\$ 300</u>     | 0.1     | <u>\$ 7,818</u>   | 1.6     | <u>\$ (7,518)</u>      |
| <br>Depreciation Expense             | <u>\$ 135,353</u> | 27.3    | <u>\$ 127,511</u> | 26.4    | <u>\$ 7,842</u>        |

See Independent Auditors' Report.

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**STATISTICAL REPORTS AND OTHER INFORMATION (UNAUDITED)  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

|   | Unaudited<br>2008 |         | Unaudited<br>2007 |         | Increase<br>(Decrease) |
|---|-------------------|---------|-------------------|---------|------------------------|
|   | Gallons           | Percent | Gallons           | Percent |                        |
| <b>WATER PUMPED TO SYSTEM</b>               | 171,259,000       | 100.0   | 169,548,000       | 100.0   | 1,711,000              |
| <b>UNBILLED:</b>                            |                   |         |                   |         |                        |
| Greenfield Municipal Utilities              | 6,096,200         | 3.6     | 6,014,400         | 3.5     | 81,800                 |
| Free Water                                  | 199,000           | 0.1     | 193,200           | 0.1     | 5,800                  |
| Streets (Estimated)                         | 92,000            | 0.1     | 76,000            | 0.0     | 16,000                 |
| Fire Department and<br>Flushes (Estimated)  | 375,859           | 0.2     | 395,338           | 0.2     | (19,479)               |
| Accounted for as Break<br>Leaks (Estimated) | <u>924,600</u>    | 0.5     | <u>1,801,532</u>  | 1.1     | <u>(876,932)</u>       |
| Total Unbilled                              | <u>7,687,659</u>  | 4.5     | <u>8,480,470</u>  | 5.0     | <u>(792,811)</u>       |
| Available for Sale                          | 163,571,341       | 95.5    | 161,067,530       | 95.0    | 2,503,811              |
| <b>WATER SOLD</b>                           | 150,144,395       | 87.7    | 135,035,046       | 79.6    | 15,109,349             |
| Line Loss                                   | <u>13,426,946</u> | 7.8     | <u>26,032,484</u> | 15.4    | <u>(12,605,538)</u>    |
| <b>METER COUNT AT JUNE 30</b>               | <u>1,068</u>      |         | <u>1,074</u>      |         |                        |
| <b>WATER USAGE RATES:</b>                   |                   |         |                   |         |                        |
| Customer Charges per Meter per Month -      |                   |         |                   |         |                        |
| Residential                                 | 12.50             |         | 12.00             |         |                        |
| Rural Residential                           | 16.50             |         | 16.00             |         |                        |
| Commercial                                  | 14.50             |         | 14.00             |         |                        |
| Rural Commercial                            | 18.50             |         | 18.00             |         |                        |
| Industrial                                  | 150.00            |         | 125.00            |         |                        |
| Water Usage (per 1,000 Gallons)             | 3.20              |         | 3.00              |         |                        |
| Effective                                   | 4/1/2008          |         | 2/1/2006          |         |                        |

See Independent Auditors' Report.

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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDITS OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Greenfield Municipal Utilities  
Water System  
Greenfield, Iowa

We have audited the financial statements of the Water System, a department of the Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated January 29, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Water System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Water System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Water System's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we considered material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Water System's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Water System's financial statements that is more than inconsequential will not be prevented or detected by the Water System's internal control. We consider the deficiencies in internal control described in Part 1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Water System's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 1A, 1B and 1C to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Water System's operations for the years ended June 30, 2008 and 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the Water System. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Water Systems' response to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. While we expressed our conclusions on the responses, we did not audit the Water System's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the trustees, officials, employees and citizens of the City of Greenfield, and other parties to whom the Greenfield Municipal Utilities may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

By   
Certified Public Accountant

January 29, 2009

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**PART 1: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:**

Significant Deficiencies:

- 08-1A **Cash Accounts** - We commented about regular and timely bank account reconciliations in our prior year report. Even though the finding is significantly improved, the checking account was still not properly reconciled at June 30, 2008, and was out of balance by an amount smaller than we determined significant for our audit procedures. This was caused primarily by not identifying and recording all small differences discovered during the process of doing bank reconciliations to the general ledger cash checking account. Instead, these differences were accumulated and carried as a reconciling item on the bank reconciliation.

Also as commented in the prior year a single individual prepares checks, reconciles bank accounts and maintains the general ledger. Recording of receipts and writing and recording payroll are performed by a different employee. To the extent possible, duties should be segregated to serve as a check and balance for identifying errors, to eliminate errors in the monthly financial reports, and to maintain the best control system possible. A primary control action is the regular reconciliation of all cash accounts.

Greenfield Municipal Utilities shares one checking account, one savings account and multiple certificates of deposit to manage its cash. However, more than one self-balancing fund is used for accounting purposes and tracks how each fund shares in each of these cash types. An integral part of the bank reconciliation is verifying each fund's share in the overall cash balance.

**Recommendation** - All cash accounts should be reconciled timely and regularly. Further, alternating the reconciliations between two employees would increase the overall control. In addition, we recommend the governing board be provided a monthly cash report which would show the total cash in each bank account and the amount of each fund's share in the overall pooled balance in checking, savings or certificates of deposit.

**Response** - New accounting software was installed in the prior year and everyone is still learning all the various reports and capabilities of the software. The new software is not only for general ledger accounting, but is an entire office front desk system whereby most functions of the city and utilities are recorded at electronic terminals at the time of the transaction. In addition, the City Clerk, who also oversees the utility accounting, is new and is not fully trained in application of the new software. This situation has improved from the prior year and will continue to improve as more experience is acquired with daily use of the software.

**Conclusion** - Response accepted.

- 08-1B **Accurate Posting and Account Coding** - We commented about posting and account coding errors in our prior year report. These errors continued to be a problem during the current year. This particular type of error is such that some errors may never be discovered.



Further, as this is a government entity with requirements to accurately track cash to the purpose for which the cash is received, an entry error to a wrong fund effects that fund's share of the overall cash balance and may cause violations with various statutes. In fact, one fund did show an overdraft which, after corrections, actually had a positive cash balance.

**Recommendation** - We suggest that posting errors should occur only on a very limited basis. Management should communicate the importance of accurate account coding and stress the need to exercise greater care and understanding of the chart of accounts. In addition, management should reinforce the need for regular financial reports and determine what steps need to be taken to ensure the reports they want for proper oversight.

**Response** - Greenfield Municipal Utilities does use the Iowa recommended chart of accounts and has adopted GASB No. 34 accounting principles. However, with the new accounting software and being a new Office Manager/City Clerk, she may be overburdened producing management financial reports, understanding the governmental chart of accounts and performing her duties of City Clerk. Management believes this situation will continue to improve as more experience is acquired with daily use of the software.

**Conclusion** - Response accepted. In fact, the new clerk has gained understanding from attendance at educational seminars offered by the State of Iowa. During the course of the annual audit, it was evident that progress has been made since the end of the fiscal year.

08-1C **Timely and Accurate Financial Reports** - We noted in the prior year that various accounting and reporting processes are delayed. Lack of having timely and correct financial information can impact management's ability to effectively maintain oversight of an organization. Critical areas such as financial analysis, budgetary control, cash flow, and compliance with various statutes can all be negatively impacted. Further, we believe that the lack of timely management reports removes the important control function of management oversight necessary with limited segregation of duties. Although this problem did improve during the current year, it is not resolved to the extent to not continue this comment this year.

**Recommendation** - We strongly suggest that whatever steps necessary be taken to ensure that the board receives current and accurate financial information on a timely basis. We further recommend that the reports be developed to come from the new software. This may require changing some work flow procedures or additional training on the new software. Once the reporting process is up to date, every effort must be made to maintain that status.

**Response** - With the new accounting software and being a new Office Manager/City Clerk, she may be overburdened producing management financial reports, understanding the governmental chart of accounts and performing her duties of City Clerk. The new Office Manager/City Clerk has no prior experience of working in a governmental environment. Management believes this situation will continue to improve as more experience is acquired with daily use of the software and further knowledge is gained of the governmental environment.

**Conclusion** - Response accepted.

08-1D **Prior Year Findings** - In the prior year's Schedule of Findings and Questioned Costs, we had findings regarding authorized check signers, journal entries for cash transactions and accounts receivable reconciliations. These findings have been corrected during the current year.

## Instances of Non-Compliance:

No matters noted.

## **PART 2: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:**

08-2A **Official Depositories** – A resolution naming depositories for combined funds of the City and Library and Greenfield Municipal Utilities has been approved by the City of Council and the Board of Trustees. The maximum deposit amounts stated in the resolution were not exceeded during the year by Greenfield Municipal Utilities. The depositories named and maximum deposit amounts authorized are as follows:

|                     |              |
|---------------------|--------------|
| First National Bank | \$ 4,000,000 |
| Union State Bank    | 4,000,000    |

08-2B **Certified Budget** - Disbursements during the year ended June 30, 2008, did not exceed the amount budgeted for the Water System as recorded in the budget, as amended, of the City of Greenfield included in the water business type activity.

08-2C **Questionable Disbursements** - We noted no expenditures that we believe would constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

08-2D **Travel Expense** - No expenditures of Water System money for travel expenses of spouses of officials or employees were noted.

08-2E **Business Transactions** - Business transactions between the Greenfield Municipal Utilities Water Utility System and the Utilities' officials are immaterial and meet the guidelines of the Code of Iowa.

08-2F **Bond Coverage** - Surety bond coverage of officials and employees is in accordance with statutory provisions. However, we recommend the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations. See the page listing the "Officials" for individual bond coverage amounts.

08-2G **Minutes** - No transactions were found that we believe should have been approved in the minutes, but were not. The minutes were published within the 15 days required by Chapter 372.13(6) of the Code of Iowa. We did note, however, total receipts were not included in the published minutes.

08-2H **Deposits and Investments** - The Board of Trustees adopted a written investment policy statement as required by Chapter 12B.10B of the Code of Iowa and no instances of noncompliance were noted.